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RUEHKO/AMEMBASSY TOKYO 1205
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C O N F I D E N T I A L SECTION 01 OF 03 DHAKA 000120

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SUBJECT: THE ROAD TO AWAMI LEAGUE RE-ELECTION: BANGLADESH
MINISTER MAPS TRANSPORT INFRASTRUCTURE

REF: 09 DHAKA 568

Classified By: Ambassador James F. Moriarty, Reasons 1.4 (b) and (d)

SUMMARY

1. (C) Bangladesh's Communications Minister, who is responsible for the nation's bridges, roads and rail, told the Ambassador February 3 that completing major infrastructure projects in southwest, southeast and northern Bangladesh was critical to the Awami League's re-election chances in four years. Minister Syed Abul Hossain said the massive Padma Bridge project was ready to move to the bidding process provided donors could agree on the packaging of the project's contracts; he requested USG assistance in persuading Japan to agree to the contract format preferred by the Government of Bangladesh (GOB), World Bank and Asian Development Bank (ADB). The Minister also described progress on road projects in southeastern and northern Bangladesh. Finally, he requested USG support for an elevated road project in Dhaka. The Minister, who has a reputation for less-than-honest business dealings, remains focused on delivering the infrastructure projects he and Prime Minister Sheikh Hasina have promised to Bangladesh voters.

PADMA BRIDGE -- ONE STRUCTURE OR TWO?

2. (C) At a February 3 dinner he hosted, Communications Minister Syed Abul Hossain expressed satisfaction with the levels of support donors planned to provide for the Padma Bridge project, which will for the first time link southwestern Bangladesh with Dhaka and the more prosperous eastern region of the country. According to the Minister, the World Bank pledged \$1.5 billion, the ADB \$550 million, the Japanese International Cooperation Agency (JICA) \$500 million, and the Islamic Development Bank \$130 million, primarily in soft loans.

3. (C) However, the Minister complained that JICA was insisting on dividing the contract for the bridge itself into two parts: a contract for the bridge's sub-structure and one for the super-structure. Under this plan JICA's loan would fund the sub-structure. The GOB, World Bank, ADB and others opposed this plan on the grounds that a single over-arching contract for the bridge itself would limit competing claims of liability in the event of future problems. The Japanese proposal to split the bridge into two structures, Hossain

said, would allow two different contractors to lay the blame for any problems on the other contractor. The Minister asked the Ambassador to use his good offices with Japan and USG support for the World Bank and ADB to urge JICA to reconsider its stance.

DESPITE CHALLENGES INTEREST IN PADMA BRIDGE REMAINS HIGH

14. (C) Hossain and the Ambassador agreed there were many companies interested in bidding on the Padma Bridge project. The Minister said he knew of 13 firms who had expressed interest. The Ambassador added that one U.S. firm had demonstrated interest in the river dredging portion of the project and that there were sure to be more U.S. companies stepping forward as the bidding process progressed. The Minister outlined an ambitious timeline, a call for pre-qualification submissions by the end of February, winning bidders and contracts finalized before the end of 2010 and a target completion date of 2013.

DHAKA-CHITTAGONG AND DHAKA-MYMENSINGH ROADS

15. (C) The other two linchpins in the Minister's infrastructure-for-elections plan are expanding roads from Dhaka southeast to Chittagong, Bangladesh's second largest city, and north to the district of Mymensingh. The Minister said he had already awarded the contracts for \$200 million project to expand the road that links the capital to Bangladesh's main port city, Chittagong. Of the ten

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contracts that make up the Dhaka-Chittagong road expansion project, foreign, mainly Chinese, firms won seven bids, and local companies won three bids.

16. (C) Part of the Minister's plans for northern road expansion include a 32-km, \$2 billion elevated expressway to be built through a public-private partnership project. The Minister told the Ambassador that a Korean firm and a Thai-Italian consortium presented solid proposals during recent pre-bid discussions.

ELEVATED ROAD AND RAIL WITHIN DHAKA

17. (C) The Minister also urged the USG to support a Dhaka infrastructure project that would be tangible proof of the strong U.S.-Bangladesh relationship. "We need a visible USAID project in the metropolitan area," Minister Hossain said. He proposed the USG fund a 3-km, \$34 million project to build an elevated road and rail crossing that would connect northwestern Dhaka with Zia International Airport in the northeast across Dhaka's military cantonment, which bisects northern Dhaka.

18. (C) The Ambassador noted that the USG had largely gotten out of the business of funding large infrastructure projects. He described other examples of U.S. support for infrastructure in Bangladesh, including in the power sector and, most recently, in our commitment to build scores of cyclone shelters/schools around southern Bangladesh.

REFORMING BANGLADESH RAILWAYS

19. (C) The Communications Minister described several initiatives to modernize Bangladesh's decrepit railways. In addition to expanding the Dhaka-Chittagong highway, the Minister said construction to broaden the single rail line between the two cities to a double rail line would begin within a couple of months. The Minister said the Prime Minister had also tasked him to develop an elevated rail system in Dhaka to alleviate the city's traffic crisis. According to the Minister, JICA had expressed interest in

loaning funds for the \$3 billion project; alternatively, the elevated rail system could be a public-private partnership project. Finally, the Minister described plans to transform Bangladesh Rail into an independent, though government-owned, entity from its current structure as a government-run enterprise. The Minister was confident that these plans to "corporatize" and then perhaps privatize Bangladesh Rail would greatly improve the firm's efficiency and quality of service.

COMMENT

¶10. (C) According to contacts in the Dhaka-based donor community, Japan is pushing hard to divide the Padma Bridge project into a contract each for the sub-structure and super-structure. The Japanese have lobbied at World Bank headquarters in Washington and at ADB in Manila, in addition to the GOB in Dhaka. Donors speculate the Japanese government supports the two-contract format so it could encourage Japanese firms to bid on the sub-structure contract JICA would fund.

¶11. (C) Allegations of corruption continue to surround the Communications Minister (reftel). Other high-ranking GOB officials have acknowledged to us problems with the Minister's way of doing business. The Minister is also reputed to have close ties to China. (NOTE: The Prime Minister is scheduled to visit China in April. END NOTE.) That said, the Minister is clearly determined to fulfill his mission to develop infrastructure with a view to improving connectivity and securing votes for the Awami League. The numerous projects described by the Minister all represent opportunities for U.S. business. Mission Dhaka will work to publicize these opportunities and work with interested U.S. firms to secure contracts in a legal and transparent manner.

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